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| HARRIS COUNTY, TEXAS | * | |
| v. | * | Case No. 2011-76724 |
| INTERNATIONAL PAPER COMPANY, et al. | * | |
| ***** | | |
| DAO VAN PHO, et al. | * | |
| v. | * | Case No. 2012-39857 |
| INTERNATIONAL PAPER COMPANY, et al. | * | |
| ***** | | |
| JIM HARPSTER AND JENNIFER HARPSTER, et al. | * | |
| v. | * | Case No. 2012-66308 |
| INTERNATIONAL PAPER COMPANY, et al. | * | |

EXPERT REPORT OF JONATHAN L. WALKER

I. Introduction

My name is Jonathan Walker. I have been asked by International Paper Company (“International Paper”) to respond to certain opinions expressed by Dr. Joan Meyer and Mr. William Stewart in the matter of *Harris County v. International Paper, et al.* and also to apply the economic principles related to punitive damages, penalties and deterrence to the facts in the matters of *Harris County v. International Paper, et al.*, *Dao Van Pho, et al. v. International Paper Company et al.* and *Jim Harpster and Jennifer Harpster, et al. v. International Paper Co. et al.* (individually “the Harris County litigation,” “the Pho litigation” and “the Harpster litigation”; collectively, “the Site Litigation”).

My qualifications for this task include my education and experience as an economist. I hold a bachelor’s degree in economics from the University of California at Berkeley and a Ph.D. in economics from the Massachusetts Institute of Technology. I am the President of Economists Incorporated (“EI”), an economic consulting firm that employs 29 economists with doctorates in economics from leading universities such as Harvard, Yale, the University of Chicago and Princeton, four professionals with other types of advanced degrees and 23 research associates and administrative staff.

I have been retained on prior occasions to opine in court about punitive damages, penalties and deterrence. I am familiar with the relevant economics literature, and I have published in this area. I have attached my curriculum vitae to this report. Therein, I list my qualifications and experience in greater detail. My curriculum vitae lists my phone number, address and publications as required by the Texas Rule of Civil Procedure 194.2(f).

I have also attached to this report a list of the documents that I have reviewed to date. As discovery is ongoing, I expect that I will review additional materials prior to trial. I understand that International Paper will disclose a list of such materials in a timely fashion to Plaintiffs in the Site Litigation. To date I have not revisited the relevant economics literature for the specific purposes of developing my opinions for this litigation. However, as I stated previously, I am familiar with that literature and my opinion is based on it. Dr. Meyer cites some of it in her own report and claims to rely on it. In his report, Mr. Stewart does not address this literature.

II. Generalized Summary of Opinions

I understand that the Texas Rules of Civil Procedure require that this report convey the general substance of my mental impressions and opinions and a brief summary of the basis for them. My impressions and opinions can be summarized as follows.

First, over-deterrence is a potential harm to the public's well-being that is discussed in great detail in the economic literature pertaining to punitive damages. "Over-deterrence" refers to the situation in which a penalty (including any civil or criminal penalty, punishment, fine or other government imposed disincentive) deters people or organizations from engaging in socially beneficial conduct or alternatively incentivizes them to engage in socially harmful conduct. Over-deterrence occurs when additional disincentives are imposed to deter some unwanted conduct notwithstanding that sufficient disincentives already exist to achieve the socially optimal outcome.

Any penalties or punitive damages awards in the Site Litigation are likely to promote over-deterrence; thus they are likely to be adverse to the interests of Texas citizens in general and Harris County residents in particular. Assuming the Courts find that International Paper's conduct has been actionable, there are significant disincentives to International Paper or other parties from behaving similarly in the future. The world will be on notice that similar conduct will expose the person or entity that engages in it to significant clean-up costs, compensatory damages, legal fees and reputational costs. Consequently, neither penalties nor punitive awards are necessary to achieve compliance with Texas's environmental laws or to "level the playing field." To the contrary, punitive levies would skew the playing field in favor of out-of-state businesses that are only responsible for the harm they cause others, if any, rather than a

significant, unpredictable punitive levy in addition to that.¹ This “un-leveling of the playing field” would inure to the detriment of Harris County workers (because it would discourage employers from locating in Texas, remaining in Texas or expanding in Texas), consumers (because it could lead to higher prices for certain goods and services) and businesses (because it would raise costs and potentially shrink demand). To the extent that some penalty must be assessed in the Harris County matter, the penalty level should be set at the minimum allowed by law so as to minimize the consequences to consumers, workers, local investors and local business owners from over-deterrence.

Second, any penalty or punitive damages award in any of the three Site Litigation matters would punish parties whom neither the Plaintiffs nor the Defendants in this case fault for any wrongdoing. International Paper’s owners, i.e., International Paper’s current shareholders, would pay any penalty, yet the current shareholders are far removed from any of the alleged wrongdoing.

International Paper’s shareholders are primarily state agencies, pension funds, mutual funds, and other financial institutions like the Vanguard Group or the Fidelity Group that make investments on behalf of individual retail investors. Such institutional investors own over 85% of the outstanding shares of International Paper, so they would pay over 85% of any penalty or punitive damages award.² These institutional shareholders include the Teacher Retirement System of Texas, the California State Teachers Retirement System, the Public Employees Retirement System of Colorado and the Utah Retirement Systems among others. I have attached two tables to this report concerning institutional ownership of International Paper stock. One table lists some of the pension and governmental funds that are International Paper shareholders and the other lists some of the mutual funds that are International Paper shareholders. Complete lists of pension funds and mutual funds that own International Paper shares would undoubtedly be larger; however, it would be impractical to attempt to create such lists for purposes of this report. Pension funds and mutual funds own shares on behalf of the pension funds’ future retirees and the mutual funds’ shareholders respectively, so it is these retirees, workers and mutual fund investors who pay the pension funds’ and mutual funds’ share of any penalty in the form of reduced retirement benefits and savings. Of course, retirees, future retirees and other investors also own International Paper shares directly in IRAs, 401(k) accounts and personal accounts at E-trade, Scott

¹ Within this report, “out-of-state” and “in-state” relate to subjection to Texas law, in particular the Texas Water Code and the other statutes at issue in this litigation. Consequently, all of the defendants in the Site Litigation are in-state to the extent they are obligated to abide by these Texas laws.

² Institutional ownership information available at <http://www.nasdaq.com/symbol/ip/ownership-summary>.

Trade, Schwab and other brokerages. These direct owners would also pay a proportionate share of any penalty or punitive award.

Third, current International Paper shareholders are not the shareholders who collectively controlled Champion at the time of the alleged wrongdoing. Average trading volume for International Paper shares is currently approximately 3.3 million shares per day. At this volume, the average International Paper share will change hands twice per year. As it has been approximately 5 years since the end of the period over which Harris County seeks penalties, the average International Paper share has been sold ten times since the end of the penalty period.³

Fourth, much of Dr. Meyer's report is irrelevant to optimal deterrence or any economically grounded theory of deterrence that I am aware of. By "optimal deterrence", I refer to the penalty or punitive damages award that best balances the social costs of over-deterrence against the social costs of under-deterrence thereby maximizing the wealth and well-being of society in the aggregate. Although Dr. Meyer cites to the optimal deterrence literature in her report, she does not apply the theory to the facts of this case and the County's liability theory.

The economic theory of optimal deterrence speaks to the socially optimal level of policing that International Paper, the County itself, or any other person or organization should engage in. If Dr. Meyer had applied the economic theories of deterrence to the facts of this case, she would have concluded that even holding International Paper responsible for compensatory damages would lead to over-deterrence if the County itself was already providing the appropriate level of monitoring and enforcement. This conclusion is particularly relevant to the Harris County litigation given that Harris County was aware of the San Jacinto disposal site before the penalty period in this case and was monitoring activity at the Site that might relate to compliance with the Texas Water Code or other applicable statutes.

Fifth, Dr. Meyer directs the jury to measure penalties in relation to International Paper's overall profits and assets. Basing penalties or punitive damages on International Paper's overall profits and assets (or other financial measure of size) would punish International Paper for its business activity outside of the State of Texas and, to my understanding, outside of the jurisdiction of Texas law. Most of International Paper's profits are derived elsewhere and most of its assets are also elsewhere. To the extent a penalty or award was based on International Paper's *Texas* profits and *Texas* assets, the levy would punish

³ See the attachment to this report related to International Paper share turnover.

International Paper for creating and maintaining a business presence in Texas and contributing to commerce in Texas rather than doing so elsewhere. It would create an incentive to move assets out of Texas and do as little business in the State as possible. This incentive would clearly be contrary to the interests of Texas consumers (who might benefit from lower prices or more variety if there were more in-state businesses competing for their dollars), workers (who might benefit from better jobs if there were more employers competing for their labor) and small businesses (that might benefit from increased demand).

Basing a penalty on International Paper's profits or assets is also inappropriate because International Paper's current profits and assets are unrelated to the conduct at issue in this litigation, conduct that occurred up to 46 years ago. To the contrary, International Paper has spent millions of dollars addressing the San Jacinto site. As a final matter related to the issue of International Paper's size, basing an award on International Paper's size is inconsistent with the economics articles that Dr. Meyer's cites—whether size is measured in terms of International Paper's assets or profits, based on Texas alone or in the aggregate.

Sixth, Dr. Meyer's comparisons between International Paper's finances and the median Harris County household's finances are misleading and unrelated to any reliable or valid economic theory of deterrence or punishment. As a threshold matter, it is logically unsound to analogize businesses to natural people. Although they have assets and are treated as persons for certain legal purposes, businesses have no physical being, no brains and no emotions. Hence, a company cannot "feel" a penalty differently based on the size of the penalty relative to the company's wealth or income. Yet it is the implicit idea that a business will feel a penalty that corresponds to x% of its revenues in a similar way as a person would feel a fine that is x% of his or her income that underlies Dr. Meyer's comparisons.

Dr. Meyer asserts that household income is analogous to corporate revenues, but this assertion is *ad hoc* and untrue. Households do not generally pay their residents salaries. Most households do not buy raw materials for manufacturing or have other expenses that correspond logically to cost of goods sold. There is no basis for Dr. Meyer's implicit assumption that households will have a similar percentage of household income available to pay fines after paying all costs that the households are legally obligated to pay or are necessary for the residents' survival as the percentage of revenues companies would have available to pay penalties after paying their legally obligated expenses and the costs that they must incur to continue to survive. The sorts of comparisons that Dr. Meyer makes would not be valid between

International Paper and companies in different industries or in different operational circumstances let alone between International Paper and Harris County households.

Although she implies that International Paper's penalty should be derived in proportion to its earnings and analogizes to natural people, Dr. Meyer overlooks that in the United States penalties for natural people are not generally set in such a way. Not every household in Harris County earns \$52,675 per year (the County median according to Dr. Meyer), yet anyone who fails to get a dumpster permit or possesses illegal fireworks (to use Dr. Meyer's examples) is subject to the same potential fine. The family household earning \$100,000 per year would not have to pay double and the new graduate just out on her own and earning \$25,000 per year would not be entitled to half-off.

Finally, there are technical errors in Dr. Meyer's comparisons between International Paper and Harris County households. First, the International Paper data are for 2012 although the County seeks penalties for the period 1967 to 2008. International Paper's annual revenue was certainly smaller in 1967 than it is now in absolute terms, and Dr. Meyer makes no effort to determine how International Paper's revenue has changed over the past 46 years relative to median Harris County household income. Similarly, Dr. Meyer compares International Paper's 2012 revenue to Harris County household income pertaining to the five year period from 2007 – 2011. Dr. Meyer does not say whether her household income figure is the median income in the median year over the five year period, the average of the medians over the five year period, the median for the County in 2007, the median for the County in 2011 or something else. All that is clear is that it is not 2012 data, the relevant data for Dr. Meyer's comparison. Third, household income as defined by the Census (Dr. Meyer's source) does not include all household earnings.⁴ Several types of earnings are excluded, further undermining the basis for Dr. Meyer's comparisons.

III. Ongoing Analysis and Future Supplementation

I understand that Mr. Stewart has given deposition testimony concerning purported economic benefits to International Paper from its alleged non-compliance with the Texas Water Code and the other statutes at issue in the Site Litigation. I also understand that Mr. Stewart's deposition transcript is not yet available. When Mr. Stewart's deposition transcript becomes available, I intend to review it to

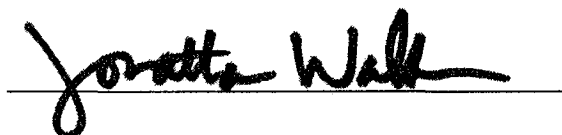
⁴http://www.census.gov/acs/www/Downloads/data_documentation/SubjectDefinitions/2011_ACSSubjectDefinitions.pdf. In addition to the exclusions identified at the Census Bureau web site under the definition of "income," household income excludes earnings by persons under 15 years of age.

determine whether it is economically sensible. I may develop opinions on that subject which International Paper may ask me about at trial.

To the extent that Harris County, the Pho plaintiffs or the Harpster plaintiffs propose any other arguments or evidence in the future pertaining to penalties, punitive awards, deterrence or International Paper's purported benefit from its alleged violations in any of these three cases, I understand that International Paper may ask me to analyze it and assess its economic validity. If I am asked, I will prepare a supplemental report disclosing my findings.

Similarly, discovery is ongoing in all three of these litigation matters. As additional information becomes available, I may develop additional opinions or I may become aware of new evidence related to opinions I have already summarized. If asked, I will supplement this report in light of the new information.

August 16, 2013

A handwritten signature in black ink, appearing to read "Jonathan Walker", is written over a horizontal line.

Jonathan Walker

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Education

Ph.D., Economics, Massachusetts Institute of Technology, 1991

A.B., Economics, University of California, Berkeley, 1983

Fellowships, Honors and Awards

1986: American Economics Association Doctoral Fellowship

1983: National Science Foundation Graduate Fellowship

1983: Honors in General Studies, University of California, Berkeley

Fields of Concentration

Industrial Organization, Labor Economics, Economic History

Professional Experience

2003 – Present: President, Economists Incorporated

2001 – 2002: Principal, Economists Incorporated

1998 – 2000: Senior Vice President, Economists Incorporated

1996 – 1998: Vice President, Economists Incorporated

1990 – 1996: Senior Economist, Economists Incorporated

1988 – 1990: Management Consultant, Monitor Company, Cambridge,
Massachusetts

Professional Experience (Continued)

1987 – 1988: Visiting Research Fellow, Federal Reserve Bank of Boston,
Boston, Massachusetts

1987: Teaching Assistant, Massachusetts Institute of Technology

Dissertation

Essays on the Commercial Banking Industry

Publications

“DTB and the Use of Regression Analysis to Assess Market Definition and Competitive Effects,” *Antitrust Law Section of the American Bar Association, Economics Committee Newsletter*, Spring 2011 (with Erica Greulich)

“Preparing for Trial: Expert Economic Testimony,” *Antitrust Section of the American Bar Association 59th Spring Meeting*, Continuing Legal Education Written Materials, March 2011

“The Single Entity Issue in American Needle and DTB,” *Westlaw Journal Antitrust*, Volume 18, Issue 1, April 2010 (with Erica Greulich)

“Event Studies, Toxic Stock and Non-Compete Provisions,” *Economists Ink*, Fall 2005

“Statistical Evidence and a Daubert Challenge in a Recent Discrimination Case,” *Economists Ink*, Summer 2004

“Price Increases Attributable to Patent Infringement or Entry,” *Economists Ink*, Spring 2004 (with Tessie Su)

“Ninth Circuit Expounds on Antitrust Injury,” *Economists Ink*, Fall 2003

“The Deterrence Value of Punitive Damages,” *Economists Ink* Fall 2001 (with Laura Malowane)

“Recent Developments in Bank Merger Competition Policy,” *Banking Law Review*, Spring 1992 (with Bruce Snapp and David Balto)

“U.S. Bank Merger Competition Policy,” *International Merger Law* 16, December 1991 (with Bruce Snapp)

“Not So Safe Harbor for Bank Mergers,” *Economists Ink*, Winter 1991

Panels

87th Annual Conference of the Western Economics Association International, "Sports Economics on Trial," June 30, 2012 – Symposium panelist

American Bar Association Antitrust Section Annual Meetings, March 9, 2011 –
Presentation concerning preparation for economic trial testimony

American Law Institute – American Bar Association Course of Study, "Antitrust Law in the 21st Century," September 14-15, 2000 – Presentation concerning the economics of professional sports leagues

American Bar Association Antitrust Section Annual Meetings, April 14, 1999 –
Presentation concerning the economic foundations of antitrust law

National Economists Club Educational Foundation, "What Effect Will Financial Restructuring Have On Banks?" August 13, 1991 – Moderator

Board Memberships

Economists Incorporated

San Francisco and Marin County Food Bank

Expert Reports and Testimony

United States v. Bank of America Corp. et al. – Expert report and deposition testimony on behalf of defendants concerning financial harm

Diane Zwarg v. BB&T Insurance Services of California, Inc., et al. – Deposition testimony on behalf of defendants concerning damages

Ritchie Risk - Linked Strategies Trading (Ireland), Ltd., et al. v. Coventry First LLC, et al. – Expert report on behalf of defendants concerning economic loss

In Re: BDO Seidman – Expert report and deposition testimony on behalf of defendant concerning damages from alleged breach of professional responsibility

U.S. SEC v. Ralph Cioffi – Deposition testimony on behalf of defendant concerning hedge fund operations

Ultra Internet Media, S.A., et al. v. Caesars License Company, LLC et al. – Expert report on behalf of defendants concerning damages

Expert Reports and Testimony (Continued)

Lauren Knowles v. Kelly Buick, Inc., et al. – Expert report on behalf of defendants concerning economic loss

Kenneth D. Klaas, et al. v. Vestin Mortgage Inc., et al. – Expert reports (2) on behalf of defendants concerning contract damages

Tyr Sport, Inc. v. Warnaco Swimwear, Inc., United States Swimming, Inc., et al. – Expert report on behalf of defendants concerning antitrust liability

United States of America v. Ralph Cioffi and Matthew Tannin – Testimony at criminal trial on behalf of defendants concerning hedge fund operations

Charles M. Felton et al. v. Vestin Realty Mortgage II, et al. – Deposition testimony and testimony at a bench trial on behalf of defendants concerning contract damages

National Union Fire Insurance Co. of Pittsburgh, PA v. Puget Plastics Corporation et al. – Deposition testimony and testimony at a bench trial on behalf of plaintiff concerning lost profits and diminution in business value

Deutscher Tennis Bund, et al. v. ATP Tour Inc. – Expert reports (2), deposition testimony and testimony at a jury trial on behalf of defendant concerning antitrust liability

John Johnson, et al. v. Big Lots Stores, Inc. – Expert reports (2), declarations (2), deposition testimony, and testimony at a bench trial on behalf of defendant concerning alleged violation of Fair Labor Standards Act

MGP Ingredients, Inc. v. Mars, Inc. and S&M NuTec, LLC – Expert report and deposition testimony on behalf of defendant concerning damages

In Re: H Street Building Corporation – Deposition testimony on behalf of defendant concerning damages

In Re: The National Benevolent Association of the Christian Church (Disciples of Christ), et al. – Expert report, rebuttal report and deposition testimony on behalf of plaintiff concerning damages

Chemical Overseas Holdings Inc., et al. v. Republica Oriental Del Uruguay, et al. – Expert report, supplemental report and arbitration testimony on behalf of respondents concerning damages

Expert Reports and Testimony (Continued)

In Re: Lockheed Meridian, MS Shooting Incident – Expert reports (3) and deposition testimony on behalf of defendant concerning damages

John D. Wee v. Charles Schwab & Co., Inc. – Arbitration testimony on behalf of plaintiff concerning damages

In Re: Robin Singh d/b/a Test Masters – Expert reports (2), declaration and deposition testimony on behalf of plaintiff concerning damages

Patrick J. Cunningham and Anton N. Zanki v. International Business Machines Corporation – Expert report, rebuttal report and deposition testimony on behalf of defendant concerning alleged breach of contract

Mark Hodges, et al. v. Greater Canton Ford Mercury, Inc., et al. – Expert report on behalf of defendant concerning punitive damages

In Re: Frank T. Vega – Declaration on behalf of defendant concerning damages

Martin Leach v. Ford Motor Co. – Expert report on behalf of defendant concerning the corporate officer labor market in a breach of contract suit

Westways World Travel, Inc. and Sundance Travel Service v. AMR Corp., et al. – Expert report and deposition testimony on behalf of defendants concerning compensatory damages

Traci A. Savage v. Ford Motor Co. – Expert report on behalf of defendant concerning the economics of punitive damages

Randy Eugene Wheeler v. Ford Motor Co. – Deposition testimony on behalf of defendant concerning lost NFL earnings and other alleged damages

David Braswell v. Holley Performance Products Inc. – Expert report and rebuttal on behalf of defendant concerning antitrust liability and antitrust damages

Ertha Mae Williams v. CSX Transportation Inc., et al. – Deposition testimony on behalf of defendants concerning the economics of punitive damages

R. Straman Co. and Newport Convertible Engineering, Inc. v. Volkswagen of America, et al. – Deposition testimony on behalf of defendants concerning antitrust liability and antitrust injury

Expert Reports and Testimony (Continued)

Roll International Corporation and Paramount Farms, Inc. v. Unilever United States, Inc. and Conopco, Inc. – Testimony at jury trial on behalf of defendants regarding compensatory damages for alleged breach of contract and false promise

Newhall Land and Farming Co. v. Kerr McGee Operating Corporation, et al. – Deposition testimony on behalf of defendants concerning the economics of punitive damages

Marcia Spielholz, et al. v. Los Angeles Cellular Telephone Company, et al. – Expert report on behalf of defendants concerning remedies in a class action false advertising suit

David N. Orrik v. Stryker Corporation, et al. – Deposition testimony on behalf of defendants concerning the economics of punitive damages

Agneta Karlsson, et al. v. Michael A. Savage – Deposition testimony on behalf of defendants concerning the economics of punitive damages and product liability

Homestore, Inc. v. America Online – Expert report and arbitration testimony on behalf of respondent concerning damages from breach of contract

Michael Meitus, et al. v. Dain Rauscher Wessels, Dain Rauscher Corporation and Dain Rauscher Inc. – Arbitration testimony on behalf of claimants concerning the competitive structure of the securities industry and other economic matters

In Re: 1994 Exxon Chemical Plant Fire – Expert report on behalf of defendant concerning the economics of punitive damages

Avis Buchanan, et al. v. Consolidated Stores Corp. – Declaration and deposition testimony on behalf of defendant concerning statistical and other economic analyses in a class action public accommodations suit

State of Alabama v. Exxon Corporation – Affidavit and testimony at post-trial hearing on behalf of defendant concerning the economics of punitive damages

Aspen Knolls Corp., et al. v. McDermott Will & Emery – Expert report on behalf of defendant concerning damages in a legal malpractice suit

Legi-Slate Inc. v. Thomson Information Services Inc. – Expert reports (2) and deposition testimony on behalf of plaintiff concerning damages from breach of contract

Expert Reports and Testimony (Continued)

United States of America ex rel., William I. Koch and William A. Presley v. Koch Industries, Inc., et al. – Expert report, deposition testimony and testimony at jury trial on behalf of defendants concerning economic issues in a False Claims Act suit

Ronald O. Lewis v. Booz-Allen & Hamilton Inc. – Expert reports (4) and deposition testimony on behalf of plaintiff regarding statistics and damages in an employment discrimination suit

Richard Rodgers Mason v. Ford Motor Company – Expert report and deposition testimony on behalf of defendant regarding liability in a product liability suit

Dr. Michael J. Galvin v. The New York Racing Association, Inc., et al. – Expert report and declaration on behalf of defendant regarding commercial damages in breach of due process and tortious interference suit

Roll International Corporation and Paramount Farms, Inc. v. Unilever United States, Inc., et al. – Deposition and bench trial testimony on behalf of defendants regarding business valuation and damages in a breach of contract and fraudulent misrepresentation suit

Yvonne Trout, et al. v. John Dalton, et al. – Affidavit and declaration on behalf of the United States concerning prejudgment interest

Willie Brown Jr., et al. v. General Motors Corporation – Testimony at deposition and jury trial concerning lost NFL player earnings

Royer Homes of Mississippi, Inc., et al. v. Redman Homes, Inc., et al. – Affidavits (2), expert reports (2) and deposition testimony on behalf of defendants concerning antitrust liability and damages

W. C. and A. N. Miller Companies v. United States of America – Expert report and deposition testimony on behalf of defendant concerning commercial damages in a Federal Tort Claims Act suit

SMS Systems Maintenance Services, Inc. v. Digital Equipment Corporation – Expert report and deposition testimony on behalf of defendant concerning antitrust damages and liability

Francis W. Murray and FWM Corporation v. National Football League, et al. – Expert report and deposition testimony on behalf of defendants regarding market definition, alleged anticompetitive conduct and alleged antitrust injury

Expert Reports and Testimony (Continued)

Michael A. Willner v. Dow Jones & Company, Inc., et al. – Deposition testimony on behalf of defendants regarding damages in a breach of contract and unfair dealing suit

Dream Team Collectibles, Inc. v. NBA Properties, Inc. – Expert reports (2) and deposition testimony on behalf of NBA Properties regarding damages and other economic issues in a trademark infringement suit and counter suit

Breezevale Limited v. Timothy L. Dickinson, et al. – Deposition and jury trial testimony on behalf of defendants regarding commercial damages in a legal malpractice suit

Sonja Lumpkin v. Citizens Bank of Maryland, Incorporated – Affidavit on behalf of defendant regarding damages in a wrongful termination suit

Carolee Brady Hartman, et al. v. Joseph Duffey – Declarations (7) and live testimony at four Teamsters Hearings on behalf of the defendant, the United States Government, regarding damage estimation in a class action sex discrimination suit

Robert B. Reich v. Charles I. Brown, Peter M. Mazula, and Ronald F. Nuzman – Affidavit and deposition testimony for United States Department of Labor regarding alleged breach of fiduciary responsibility under ERISA

United Farmers Agents Association, Inc. v. Farmers Insurance Exchange, et al. and Thomas J. Vinson, et al. v. Farmers Insurance Exchange, et al. – Affidavit and deposition testimony for plaintiffs regarding antitrust liability

Anthony Brown, et al. v. Pro Football, Inc. – Testimony for defendants, the member clubs of the NFL, at jury trial regarding antitrust damages

Robert E. Connor, et al. v. Harris County, et al. – Deposition testimony and a written declaration for plaintiffs, members of a class of job applicants, regarding a cost defense for allegedly discriminatory employment practices

Laura Kelber against Forest Electric Corp. and Forest Datacom – Affidavit in opposition to defendants' motion for summary judgment in a sex discrimination suit

Selected Consulting Matters

Ernst & Young/KPMG – Antitrust consulting regarding potential consolidation

Selected Consulting Matters (Continued)

NASCAR Souvenirs – Consulting for defendants concerning class certification in an antitrust matter

First Databank – Antitrust consulting regarding acquisition of Medi-Span Inc.

Metal Supermarkets – Consulting for plaintiff regarding commercial damages arising from legal malpractice

Vulcan – Antitrust consulting regarding the acquisition of an Atlanta quarry

Brodus v. Children's National Medical Center – Consulting regarding damages in a wrongful termination suit

International Paper – Antitrust consulting regarding photographic paper and other photographic material

St. Louis Convention and Visitors Commission v. National Football League, et al. – Antitrust consulting regarding franchise relocation

The Baltimore City Paper – Consulting regarding commercial damages allegedly arising from libel

Allied Domecq – Consulting for liquor supplier regarding terminated dealer's lost profits

National Football League – Consulting regarding trademark and antitrust issues in suits between the Dallas Cowboys and its affiliates and the NFL

IndyCar Racing – Antitrust consulting

Albertson's – Antitrust consulting for potential plaintiff in a price-fixing matter

New Orleans Hospitals – Antitrust consulting regarding a joint venture among New Orleans hospitals

General Dynamics – Consulting for plaintiff regarding damages in commercial litigation

Telecom Technical Services, et al. v. ROLM – Consulting for plaintiffs in antitrust litigation

The Boston Herald – Consulting regarding damages allegedly caused by publication of a news story

Selected Consulting Matters (Continued)

Automotive Dismantlers and Recyclers Association v. ADP Claims Solutions Group, Inc. – Antitrust consulting regarding used automobile parts databases

Mercy/St. Vincent – Consulting regarding the merger of two hospital systems in Toledo, Ohio

Kalium/IMC – Consulting regarding the merger of Kalium and IMC

Agricultural Chemicals Antitrust Litigation – Antitrust consulting for defendants, Zeneca Corp., Helena Corp. and Terra Corp. in an RPM class action suit

The Clorox Company v. Sterling Winthrop, Inc., et al. – Antitrust consulting for plaintiffs in litigation alleging misuse of trademark protections for anticompetitive gain

Chittenden Corporation – Antitrust consulting regarding a bank holding company's acquisition plans

National Basketball Association – Damage estimation for the NBA in antitrust suit brought against it by Independent Entertainment Group Incorporated

Magic Line Inc. – Merger of ATM networks

Home Shopping Network – Ex-post valuation of contingent contract concerning software and consulting services

Lenfest Group, Comcast Corporation and Telecommunications Incorporated – Consultation regarding Delaware Public Service Commission rules to implement the Telecommunications Technology Investment Act

Worthen Financial Corporation – Acquisition of Union National Bank of Arkansas

Intrust Bank – Merger with Kansas State Bank & Trust

Iowa National Bankshares – Merger with MidAmerica Savings Bank

First National Bank of Kerrville – Acquisition of Bank of Kerrville

Peoples Heritage Financial Group – Acquisitions of Mid Maine Savings Bank, Bank of New Hampshire, CFX, and certain branches of Fleet Bank of Maine

Selected Consulting Matters (Continued)

Potash Antitrust Litigation – Antitrust consulting for defendants in a class action suit alleging price fixing in the potash industry

R&D Business Systems, et al. v. Xerox Corporation – Antitrust consulting for plaintiffs in a class action suit alleging tying and monopolization in the copier and printer industries

Society Corp. – Acquisition of Ameritrust

VDDE Holm, Voest Alpina, Bohler – Antitrust consulting in connection with the merger of two European steel manufacturers

McNeil, et al. v. NFL – Estimation of damages resulting from player reservation system

U.S. Department of Justice v. City of Alhambra, California – Analysis of evidence of discriminatory hiring practices

Christiana Mortgage Brokers, et al. v. Delaware Trust, et al. – Estimation of damages resulting from tortious interference in the mortgage brokerage industry in New Castle County, Delaware

Merger of Two Savings and Loan Assns. – Antitrust consulting in connection with the merger of two thrift institutions

Mid Atlantic Coca-Cola – Analysis of evidence of price fixing and estimation of resulting damages

Professional Societies

American Economics Association

American Bar Association

Industrial Organization Society

Western Economics Association

American Law and Economics Association

Society of Labor Economists

Selected Pension and Governmental Shareholders of International Paper

Shareholder Name

APG All Pensions Group NV

New York State Common Retirement Fund

Teachers Advisors Inc

California Public Employees Retirement System

United States Steel & Carnegie Pension FD

New York State Teachers Retirement System

Teacher Retirement System Of Texas

California State Teachers Retirement System

State Board Of Administration Of Florida Retirement System

Canada Pension Plan Investment Board

State Of Wisconsin Investment Board

Public Employees Retirement Association Of Colorado

Texas Permanent School Fund

IBM Retirement Fund

State Treasurer State Of Michigan

Arizona State Retirement System

Fjarde Ap-Fonden /Fourth Swedish National Pension Fund

Virginia Retirement Systems Et Al

Commonwealth Of Pennsylvania Public School Empls Retrmt Sys

Ontario Teachers Pension Plan Board

Teachers Retirement System Of The State Of Kentucky

Utah Retirement Systems

New Mexico Educational Retirement Board

Oregon Public Employees Retirement Fund

Employees Retirement System Of Texas

Amica Pension Fund Board Of Trustees

Pensionfund Dsm Netherlands

State Of Alaska, Department Of Revenue

Supplemental Annuity Collective Trust Of NJ

Public Sector Pension Investment Board

Source:

<http://www.nasdaq.com/symbol/ip/institutional-holdings>, accessed August 13, 2013.

Selected Mutual Fund Shareholders of International Paper

Mutual Fund Name

Allianz Fds-AllianzGI NFJ Dividend Value FD

CGM Focus Fund

Fidelity Contrafund Inc

Fidelity Spartan 500 Index Fund

Franklin Mutual Series Fund-Mutual Shares Fund

Price (T.Rowe) Equity Income Fund

Price (T.Rowe) Value Fund

Russell 3000 Index

S&P 500 Capital Appreciation Fund

Schwab S&P 500 Index Fund

SPDR S&P 500 ETF Trust

United Association S&P 500 Index Fund

Vanguard 500 Index Fund

Vanguard Institutional Index Fund-Institutional Index Fund

Vanguard Total Stock Market Index Fund

Vanguard/Windsor Fund Inc.

Wilshire 5000 Total Market Index

Source: <http://finance.yahoo.com/q/mh?s=IP+Major+Holders>, accessed August 15, 2013.
<http://investing.money.msn.com/investments/mutual-funds-holdings?symbol=cgmfx>

Volume Turnover for Shares International Paper

| | |
|--|-------------|
| Total Shares Held: | 391,048,393 |
| Average Volume (3-month average) | 3,343,240 |
| Sales per share per day | 0.008549428 |
| Average share turnover per year* | 2.154455804 |
| Average share turnover since merger** | 28.67478082 |

Note: *There are 252 trading days per year in the NYSE.

**There have been 3,384 trading days since the merger occurred on April 25, 2000.

Source:

Total Shares Held - <http://www.nasdaq.com/symbol/ip/institutional-holdings>, accessed August 14, 2013.

Average Volume - [http://finance.yahoo.com/q;_ylt=AmVGJU5trSzaPmmBrBtmr2h](http://finance.yahoo.com/q;_ylt=AmVGJU5trSzaPmmBrBtmr2h.FJF4?uhb=uhb2&fr=yfinanceheader_test2&type=2button&s=IP%2C)

.FJF4?uhb=uhb2&fr=yfinanceheader_test2&type=2button&s=IP%2C, accessed August 14, 2013.

<https://usequities.nyx.com/markets/nyse-number-trading-days-2012-2014>